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We can meet tonight, in this holiday season, in something of a celebration.

We can celebrate first the friends and the neighbors who have joined here in this common purpose.

And we can recognize a great statesman of agriculture who is himself worth a celebration--the senior United States Senator from Missouri, Tom Eagleton.

In just two years as chairman of the Appropriations Subcommittee on Agriculture, Tom Eagleton has distinguished himself as a friend of the farmer and a champion of the taxpayer.

He is a tough taskmaster. He makes absolutely certain that I can account for the wisest possible use of the 20 billions of dollars that the Congress appropriates to the Department of Agriculture.

Senator Eagleton is responsible to the people of Missouri and the people of the United States to assure that their hard-earned tax revenues are used productively and well.

And I am responsible to President Carter and to the American people to provide that same assurance.

We can celebrate legislators like Tom Eagleton because they can hear what all Americans are telling us--that the federal government must get a handle on federal spending, that we must rein in inflation.

And I believe that we can celebrate the fact that there is a new recognition of the problems of inflation and a willingness to make the sacrifices to bring it under control.

Remarks prepared for delivery by Bob Bergland, Secretary of Agriculture, before the National Farmers Organization National Conference, St. Louis, Missouri, Thursday, December 14, 1978.

Nobody in this economy is hurt worse by inflation than the American farmer. Almost alone, you buy at retail and sell at wholesale. Almost alone, you are uniquely unable to increase your selling price to cover increased production costs.

And that is where your government can help.

We are taking the first steps. The President has established ambitious goals--and they are goals that we shall meet.

We will substantially reduce the federal deficit. We will reduce the government's work force. We are reforming the Civil Service system. And we are doing away with costly and duplicative federal regulations by the truckload.

With your cooperation and the cooperation of all Americans, we will bring inflation under control.

We can celebrate also the end of another year of relative peace throughout the world--certainly another year in which no American boys have been involved in foreign military adventures.

And we in agriculture surely can celebrate a year in which we have seen real progress from a very dismal time.

When we met a year ago, there was very little to celebrate.

We were then at the bottom of a long slide from the dizzying high prices of a few years before. You felt full force the "bust" that surely follows the boom in a freewheeling unrestrained agriculture.

I shall not claim that America's farmers are about to reach the golden age or enter the promised land. But I do repeat--that we have much to celebrate.

Net farm income this year will top \$26 billion--a welcome increase from the almost depression-level \$21 billion of each of the two previous years.

Much of this is due to another record in farm exports. We've shipped more than \$27 billion worth to overseas customers and we're still growing.

And this year, for the second time in history, our exports of meat, livestock and livestock products exceeded the amount of those items we imported by \$57 million.

America's farmers have, on their farms, more than one billion bushels of wheat and feed grain in reserve to help meet the export needs of next year and the year after.

Your farmer-owned reserve has done two things: first, it has established your reputation as reliable suppliers to the world; and second, it has, without doubt, increased the farm price of your crops.

So much so that, on the average, the prices of farm commodities today are almost one-fourth greater than a year ago.

The price of wheat has climbed by one-third. Corn prices have increased less than that--but the encouraging fact is that the price of corn did not collapse in the face of a nearly seven billion bushel harvest.

But the most encouraging recovery of all has been in livestock. The average price of cattle has increased by more than half, the price of hogs by more than one-fourth.

It is a welcome recovery, absolutely necessary, and long overdue. Cattle producers went through the meat grinder as surely as most of their cattle did.

And that brings us face-to-face with a new set of problems. It forces us to take a look at the longer term, identify the obstacles, and lay plans to overcome them.

One of the byproducts of the depression that has wracked the livestock industry since 1973 has been a quiet but pronounced change in the market for American beef.

The liquidation of cattle that followed the grain price boom and price controls in 1973 and 1974 sent millions of head of cattle directly from the range to the slaughterhouse.

That meant hamburger. Tons of hamburger. More hamburger, in relation to our total beef consumption, than ever before. The consumption of leaner beef in this country literally exploded.

Almost half of the beef eaten by consumers at home and in the ever-popular fast-food restaurant today is hamburger and processed food made from lean beef.

But while the market is reflecting this abrupt change in beef consumption patterns, our production system is not.

On Tuesday of this week, the wholesale price of canner and cutter beef was \$1 a hundred more than the carcass price of choice beef.

Yet three-fourths of the beef slaughtered today comes from steers and heifers fed out to good, choice, and prime grades.

These trends tell us one thing: that the shift toward hamburger and leaner beef is becoming a long-run affair. We may indeed become a hamburger society.

There is another factor that should be of real concern to cattle producers--a factor that should bring smiles to those of you who produce pork and poultry.

No one can say with certainty that the liquidation phase has ended and that cattle herds are beginning to rebuild. But the economic facts of the cattle cycle dictate that it will occur soon.

The heavy liquidation to date means that beef production this year was about one billion pounds less than the year before. And our experts tell me that beef output will be cut another billion pounds next year.

That means two billion pounds of beef that will not be produced--two billion pounds of meat consumption that will have to be made up from somewhere else.

All of us realize that imported beef is a touchy subject. It's a major irritant among many cattle producers and many others in agriculture.

But the fact of life is that cattle producers in the rest of the world have been liquidating too--and there just isn't enough beef anywhere to make up a shortfall of that magnitude.

The fact is that most of that consumption will come from pork and poultry. There is evidence already that consumers are beginning to shift from higher-priced beef to abundant poultry and pork.

Poultry production is likely to increase about 10 percent next year. Our analysts believe pork output will be 4 percent to 6 percent higher, and some private analysts believe it will go as much as 10 percent.

That kind of expansion means capital investment on the part of broiler growers and swine producers. And it suggests to me that--when the cattle cycle expands again--there will be some tough competition from the people who have invested in those confinement houses and finishing pens.

Cattle producers can be certain that their friends who grow turkeys, broilers, and hogs will not give up their newly-won customers without a good, old-fashioned American free-enterprise fight.

During high-price periods, meat extenders always come for lively debate.

There are those who see soybean additives as a plus--not only as a new market for agricultural products, but as a way to maintain beef consumption by lower-income families during the high-price part of the cycle.

But there are many who believe that meat extenders will do nothing but dull the taste of hamburger and speed up the switch to other high-protein foods.

The American cattleman, just like every other American farmer, has to be concerned also about the consumer economy in its broadest sense.

I have said since the day that President Carter asked me to be Secretary of Agriculture that I do not consider the consumer to be my enemy. As a farmer, I have always considered the consumer to be my customer.

We know that consumers have only so much to spend--and we know that if the price of any product gets too high, the consumer will either reduce his purchases of that product or switch to a cheaper one.

This is just as true with milk or peanuts as it is with beef or pork or poultry.

Nobody knows how high a price can go before it reaches unacceptable resistance. We do know that, in 1973, the price of beef reached that point for many housewives who decided to paint signs and stand in front of supermarkets.

This year we have not seen the signs of a repeat of that consumer boycott. One reason may be that consumers are more aware today of the economics of agriculture. Another is that, in relative terms, beef prices have not yet reached the level that consumers will find unacceptable.

The fact is that, measured in constant dollars, the price of choice beef today is still 13 percent lower than it was in 1973.

But you know and I know that the price of farm products--especially the highly visible price of beef--will come under increasing scrutiny during inflation-conscious 1978.

We will continue to point out, and I know you will continue to emphasize, that fully two-thirds of the retail price of food goes to cover the cost of bringing that food from the farm to the checkout counter.

I fully expect that the marketing costs of beef will come in for closer examination this year than at any time in the past.

Without a doubt there will be legislative proposals in the Congress to change the way that meat prices are set.

Farmers are concerned and consumers are concerned that prices be fairly and accurately established. Congressional interest and activity will reflect that concern.

Just this week, USDA published results of a year-long investigation of the beef marketing and price reporting system.

The painstaking work that went into that investigation produced no answers. It turned up no villains, but it raised tough questions that need answers.

So we will not rest with one investigation. We will continue to probe the complex and changed system of meat pricing until we are certain that it is fully accurate, or we will recommend changes if we can substantiate real problems.

These are some of the problems and challenges that we will face in the coming year--and I hope we can face them together.

We in America have a history of working together to solve common problems. When we have stood together we have overcome enormous challenges. It is only when we have been divided that we have fallen short of success.

So I say let us work together. Our goals are not impossible goals.

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Let us not be diverted by the side issues, the simple solutions and the easy answers. Instead let us identify and concentrate on those real problems which we can and must overcome.

The fact of your meeting here this week--your strength in numbers as we wind up this year of 1978--is testimony to the perserverance of people.

Your organization and your people have known challenge and adversity, and you have overcome.

I am convinced that, together, we can overcome those challenges and obstacles that lie in our path in the years ahead.

And I am even more convinced that a year from now, and two and three and four years from tonight, that we can meet again to celebrate as we do tonight.

Thank you.

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